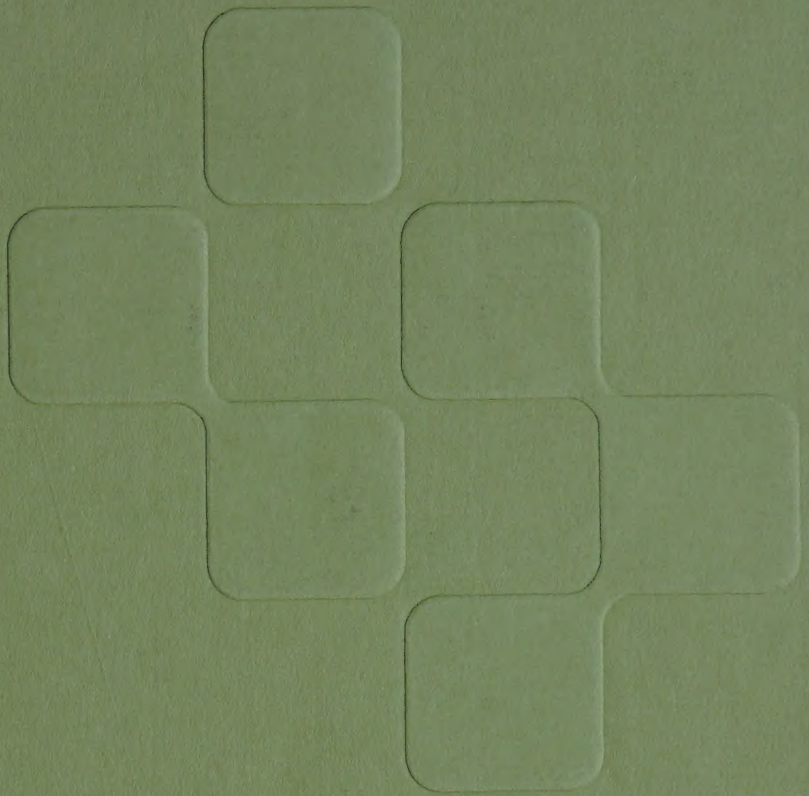


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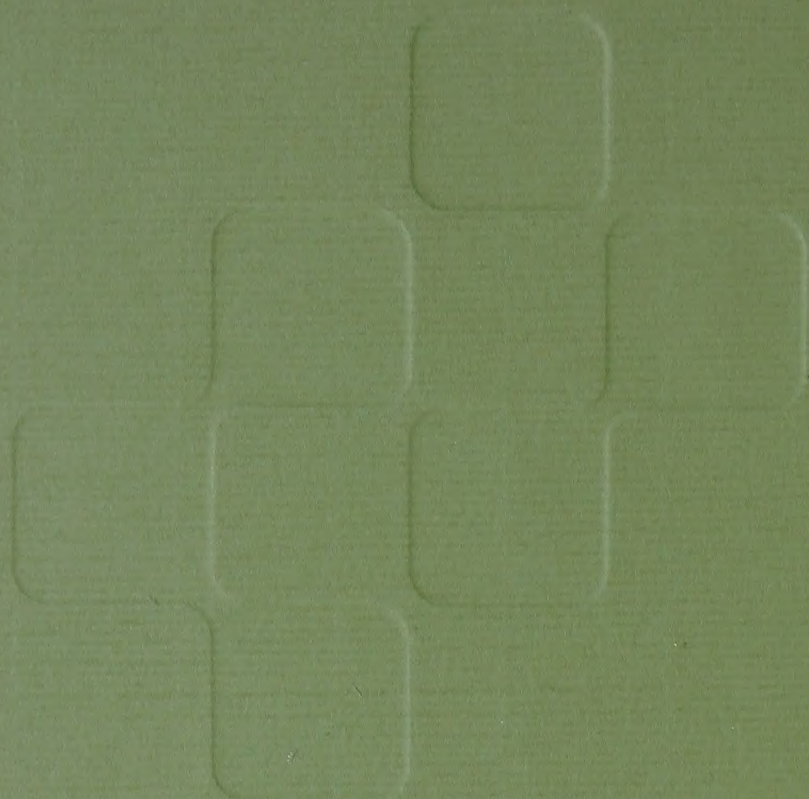


PACIFIC LEASING CORPORATION LIMITED

EDP Acquired Control Dec. 1968

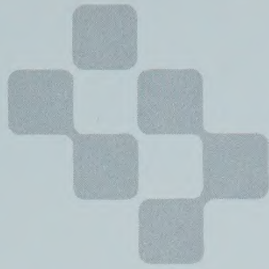
ninth annual report

YEAR ENDED JANUARY 31, 1969



The cover employs the corporate symbol of EDP Data Centres Limited which was introduced by that Company for the first time with the publication, earlier this month, of their 1968 Annual Report.

Pacific Leasing Corporation Limited is proud to use this symbol to identify itself as one of the EDP group of Companies.



PACIFIC LEASING CORPORATION LIMITED

OFFICE

2256 West 12th Avenue, Vancouver, B.C.

Telephone 731-4969

DIRECTORS

ALAN M. EYRE, Vancouver, B.C.

President - Dueck on Broadway Limited

HUGH McDONALD, Vancouver, B.C.

President - McDonald Investments Ltd.

FRANK F. RUSH, Vancouver, B.C.

President of the Company

GORDON M. SHRUM, Vancouver, B.C.

Chairman - B.C. Hydro and Power Authority

WILLIAM R. WOOD, Vancouver, B.C.

President - EDP Data Centres Limited

OFFICERS

FRANK F. RUSH, President

ALAN M. EYRE, Vice-President

R. D. JEWETT, Secretary

MRS. E. M. FINDLAY, Treasurer

TRUSTEE

Crown Trust Company, Vancouver, B.C.

Series A, B and C Collateral Trust Notes

Series A, B and C Debentures

REGISTRAR AND TRANSFER AGENT

Crown Trust Company, Vancouver, B.C.

Series A, B and C Collateral Trust Notes

Series A, B and C Debentures

Montreal Trust Company, Vancouver, B.C.

Preferred Shares - Series B

A and B Common Shares

BANKERS

The Bank of Montreal, Vancouver, B.C.

SOLICITORS

Ray, Wolfe, Connell, Lightbody & Reynolds

Vancouver, B.C.

AUDITORS

Touche, Ross, Bailey & Smart, Vancouver, B.C.

To Our Shareholders

It is a pleasure to submit to you the Ninth Annual Report of your Company, covering the twelve month period ending January 31, 1969.

This was a significant year in the history of the Company, for it was in December of 1968 that EDP Data Centres Limited ("EDP") were successful, through a share exchange offer, in acquiring control of the Company.

This arrangement, I feel, was a good one for the former shareholders of the Company. Accordingly, some comments concerning it are perhaps appropriate at this point.

The last occasion on which the Company raised capital was August, 1966 when an issue of \$500,000 6¾ % Convertible Debentures were sold. These funds were quickly employed. Since then the Company was constantly on the alert for opportunities of raising more funds at an acceptable price. Mention of our concern in this regard was made in each succeeding Annual and Semi-Annual Report. It became quite obvious that any funds which might have been raised would call for some sort of privilege to buy shares over a future period, or immediately, at levels which would be an absolute disadvantage to the then present shareholders.

The growth trend of the Company, which had been most impressive in prior years, was tapering off, and there was no practical way of combating this, while continuing to maintain an independent status, and as well, serving the best interests of the shareholders.

In contrast, EDP Data Centres Limited, a computer oriented concern, was in an area where there was a well recognized potential for growth. The ability to achieve this growth was not entirely dependent

on capital resources, but more so on technical skills, with which they were well supplied. Furthermore their area of activity had a great deal of appeal to the investing public. However, being a relatively new company EDP lacked the strong capital base possessed by PLC.

The joining of forces presented important mutual benefits. For PLC it meant, with the back-up of EDP technical knowledge, it could enter the important field of leasing computers and peripheral equipment. It would result in an improved ability to raise capital funds. In addition, the EDP offices in Eastern Canada would provide a convenient and inexpensive means of expanding into this important marketing area.

As for EDP, it would, with PLC as a leasing arm, be able to provide a complete service relating to data processing functions. The financial resources of PLC would provide them with a strong base for future financing. Also, they would be in a better position for continuing a program of rational expansion and integration.

REVENUE AND PROFITS

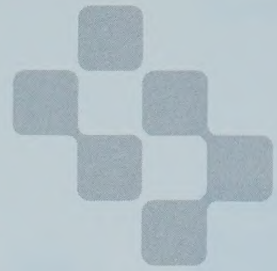
The results for the year have been gratifying, and to a degree, already shows results of the mutual advantages referred to.

Earned income increased 3.9% from \$649,765 to \$675,217. After providing for tax payments of \$7,601 the net profit was \$297,521 which compares with \$250,460 for the previous year.

After paying dividends of \$1.50 per share on the Series B Preferred Shares, the profit attributable to the holders of the Common Shares amounts to \$5.41 per share and compares with \$4.56 for the preceding period.

GROWTH

At year end the value of Contracts Receivable (in-



cluding residual values and renewals, minus a reserve for possible contract losses) was \$7,447,051, an increase of \$1,337,580 over the comparable figure for last year.

This is an area where the benefits of the association with EDP are quite apparent. Through expanded credit lines, and the pooling of cash flows the Company was able, in the last two months of the year, to write lease contracts involving receivables in the order of \$1,500,000; more than 40% of the total written for the full year.

Only a small part of the profit relating to these contracts is reflected in earnings for the year. The earnings potential relating to increase in contracts written shows up in the figures for "unearned income on lease contracts" which has increased from \$1,063,214 to \$1,459,255.

Another aspect of growth is improvement in cash flow which was \$1,614,953 for this year and compares with \$1,517,800 for the previous period.

INCOME TAX

The Company is in the business of acquiring capital assets on a continuing, and hopefully, an expanding basis. In consequence, there are advantages to the Company in timing of the tax liabilities that accrue. The "Tax Payable" method of treating income tax, which the Company has always employed, reflects these advantages.

The Company had the alternative of claiming full capital cost allowances for the year and thereby eliminating any income tax liability, and furthermore, could claim for a refund of payments made in previous years. However, the decision was to claim sufficient allowances so as to pay the maximum tax under the "21% rate," a policy that has been followed in earlier years.

The Canadian Institute of Chartered Accountants has recommended that all companies using the "Tax Payable" method change to the "Tax Allocation" method whereby income tax temporarily reduced or postponed is allocated to the current expenses and set up in the balance sheet as a non-current liability. This is a very broad recommendation on the part of the Institute and we believe that this is not the appropriate time for us to make any conforming changes in our methods of reporting. For one thing, the nature of our operations in being in the business of acquiring capital assets is somewhat unique. For another, a decision to change must, of necessity, relate to considerations of EDP's development. Accordingly, this matter will be reviewed during the coming year.

OUTLOOK

Although credit restrictions, which in past years have hindered growth, are likely to continue to be a factor for some time yet, the outlook for the Company is excellent. The association with EDP will, in all likelihood, make it possible to obtain further capital funds at an acceptable rate. This will insure a continued growth. Furthermore, and again working with EDP, we expect to direct an important part of our efforts to leasing computers, and peripheral equipment, and to extend our general leasing activity into Eastern Canada.

PERSONNEL

The management and staff of the Company have, by their efforts and cooperation, contributed to the continued growth of the Company. It is a pleasure to express, on behalf of the Directors, appreciation of their efforts.

Frank F. Rush
President

March 24, 1969

PACIFIC LEASING CORPORATION LIMITED

and Its Wholly-Owned Subsidiary



ASSETS

	<u>1969</u>	<u>1968</u>
Cash	\$ 102,410	\$ 12,416
Lease contracts receivable due in instalments to 1976, less allowance for possible losses on lease contracts \$122,148; (1968 \$94,409) - (Note 1)	6,576,121	5,369,402
Rentals receivable	145,945	86,873
	<u>6,722,066</u>	<u>5,456,275</u>
Income taxes recoverable	10,655	—
Rental equipment - at estimated residual value (Note 2)	900,930	799,769
Prepaid expenses	5,200	4,490
5% special refundable tax	27,787	38,698
Equipment and office furnishings - at cost less accumulated depreciation \$11,046; (1968 \$9,499)	9,896	6,914
Discount and expenses of long-term debt less amounts amortized	42,530	60,530
	<u>\$ 7,821,474</u>	<u>\$ 6,379,092</u>

On behalf of the Board:

"FRANK F. RUSH," Director

"W. R. WOOD," Director

The notes to the financial statements are an integral part thereof.

CONSOLIDATED BALANCE SHEET AS AT JANUARY 31, 1969
(with comparative figures for 1968)

LIABILITIES

	1969	1968
Current:		
Bank loan (secured by Collateral Trust Notes Series A) ---	\$ 2,000,000	\$ 1,065,000
Accounts payable -----	140,300	122,226
Accrued interest -----	39,513	45,728
Income tax payable (Note 4) -----	—	22,321
Special refundable tax payable -----	—	3,086
Long-term debt due within one year ----- \$ 84,500		
Less: Bonds held for redemption and deposits with sinking fund Trustee ----- 20,614	63,886	45,825
	<u>2,243,699</u>	<u>1,304,186</u>
Long-term debt (Note 3):		
Sinking fund debentures		
7% Series A due November 15, 1975 -----	95,000	106,500
7% Series B due October 1, 1977 -----	115,000	126,500
6¾% Convertible Series C due August 15, 1981 -----	469,000	500,000
Collateral Trust Notes		
6% Series B due May 1, 1973 -----	650,000	650,000
6¼% Series C due May 15, 1980 -----	730,000	765,000
	<u>2,059,000</u>	<u>2,148,000</u>
Deferred liabilities:		
Lease rentals received in advance -----	121,989	108,795
Unearned income on lease contracts (Notes 1 and 4) -----	1,459,255	1,063,214
	<u>1,581,244</u>	<u>1,172,009</u>
Shareholders' equity:		
Share capital (Note 5)		
Preferred shares		
Authorized, issued and fully paid		
24,500 6% cumulative, redeemable exchangeable shares - Series B of \$25 par value -----	612,500	612,500
Common shares		
Authorized		
100,000 Class A and 25,000 Class B shares of \$10 each		
Issued and fully paid		
25,380 Class A shares (1968 - 24,070) -----	253,800	240,700
22,810 Class B shares -----	228,100	228,100
	<u>1,094,400</u>	<u>1,081,300</u>
Surplus:		
Contributed - premium on sale of "B" preferred shares ----- 1,841		1,841
- premium on the issue of "A" shares ----- 3,300	5,141	—
Retained earnings - Statement III -----	837,990	671,756
	<u>1,937,531</u>	<u>1,754,897</u>
	<u>\$ 7,821,474</u>	<u>\$ 6,379,092</u>

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED JANUARY 31, 1969

Statement II

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Income:		
Income earned on lease contracts (Note 4)	\$ 660,618	\$ 648,362
Other income	14,599	1,403
	<u>675,217</u>	<u>649,765</u>
Expenses:		
Administrative expenses (including depreciation 1969 \$3,177; 1968 \$1,714)	117,310	122,163
Interest and finance charges		
Interest on long-term debt	138,036	141,696
Other interest and finance charges (including amortization of long-term debt costs 1969 \$18,000; 1968 \$18,000)	114,749	108,225
	<u>370,095</u>	<u>372,084</u>
Income before provision for income taxes	305,122	277,681
Provision for income taxes (Note 4)	7,601	27,221
Net income for the year	<u>\$ 297,521</u>	<u>\$ 250,460</u>

152,561

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED JANUARY 31, 1969

Statement III

(with comparative figures for 1968)

	<u>1969</u>	<u>1968</u>
Balance at beginning of year	\$ 671,756	\$ 519,770
Less:		
Commission on preferred shares, written off	—	17,252
Underwriters' fees	47,500	—
	<u>624,256</u>	<u>502,518</u>
Add:		
Net income for the year - Statement II	297,521	250,460
	<u>921,777</u>	<u>752,978</u>
Deduct:		
Dividends paid		
Preferred shares	36,750	36,750
Common shares	47,037	44,472
	<u>83,787</u>	<u>81,222</u>
Balance at January 31, 1969	<u>\$ 837,990</u>	<u>\$ 671,756</u>

Notes To Financial Statements as at January 31, 1969

Note 1

Lease contracts receivable include \$2,225,680 being payments due within one year. The corresponding portion of unearned income is \$617,871.

Note 2

The cost of rental equipment shown on the balance sheet at estimated residual value of \$900,930 at January 31, 1969 was \$10,068,790. At the date the company had commitments for the purchase of rental equipment of approximately \$516,000.

Note 3

The long-term debt shown as \$2,059,000 comprises the following:

	7% Sinking Fund Debentures		6¾ % Convertible Sinking Fund Debentures	Collateral Trust Notes	
	Series A Due November 15, 1975	Series B Due October 1, 1977	Series C Due August 15, 1981	6% Series B Due May 1, 1973	6¼ % Series C Due May 15, 1980
Authorized	\$ 175,000	\$ 175,000	\$ 500,000	\$ 650,000	\$ 800,000
Issued in previous years	\$ 175,000	\$ 175,000	\$ 500,000	\$ 650,000	\$ 800,000
Less: Redeemed or converted to date	68,500	47,000	6,000	—	35,000
Outstanding	106,500	128,000	494,000	650,000	765,000
Deduct: Retirements required within one year, transferred to current liabilities	11,500	13,000	25,000	—	35,000
Balances - Statement I	\$ 95,000	\$ 115,000	\$ 469,000	\$ 650,000	\$ 730,000

In addition, \$2,000,000 Series A Collateral Trust Notes are held by the company's bankers as security for the company's bank loan.

Security

The collateral trust notes are secured by lease contracts receivable amounting to \$6,623,-185 pledged as collateral.

Terms of Minimum Repayment

Series A debentures	1975	\$10,000 annually - sinking fund
Series B debentures	1977	\$10,000 annually - sinking fund
Series C convertible debentures	1981	\$25,000 annually (1969-1981) - sinking fund
Series B collateral trust notes	1973	at maturity
Series C collateral trust notes	1980	\$35,000 1968-1979 - sinking fund

Restrictions on dividends and redemption of shares

Under the terms of issue of the 7% Series A sinking fund debentures, the company has covenanted that not more than one-half of its earnings available for dividends will be paid out as dividends or for redemption of shares. At January 31, 1969 one-half of earnings available for dividends exceeded dividends paid to date by \$266,000. No shares have been redeemed out of earnings.

Conversion rights - Series C debentures

The debenture holders may, up to August 14, 1976, convert each one thousand dollar debenture into forty-five Class A common shares. During the year \$6,000 debentures were converted into 270 Class A common shares.

Note 4

Under the company's method of accounting for income on lease contracts, unearned income (representing the excess of total rentals receivable over the cost of the related rental equipment less its estimated residual value at the end of the prime period of the lease) is taken into earnings on the sum-of-the-digits basis.

For income tax purposes lease rental payments are taxable in the year receivable and capital cost allowances are claimed in respect of the cost of the rental equipment as permitted by the taxation authorities. As a result, income taxes which would otherwise have been applicable, were reduced by approximately \$158,500 in 1969 and, in the aggregate to date, by \$545,700.

Note 5

The changes in issued share capital during the year are set out in the following tabulation:

Two - purchase agreement pay with 81 not years = depreciating as if owned // 20%

	6% Cumulative, Redeemable Exchangeable Preferred Shares	Common Shares	
	Series B \$25.00 each	Class A \$10.00 each	Class B \$10.00 each
Issued and full paid at January 31, 1968	24,500	24,070	22,810
By exercise of warrants		1,040	
Class A common issued for cash		270	
By conversion on Series C debentures			
<i>have over 20-year period - some 30% - use as an expense in tax income</i>	24,500	25,380	22,810

At January 31, 1969 unissued shares were in part reserved for the exercise of share warrants, options, and conversions as follows:

47,120 Class A common shares for the exercise of warrants attached to the debentures to purchase Class A common shares at \$10 per share up to November 15, 1970, for the exchange of 24,500 Series B preferred shares on a share-for-share basis up to December 14, 1975, and for the conversion of Series C debentures on a basis as described in Note 3.

Note 6

The nature of a leasing company's business is such that a statement of source and application of funds is not meaningful and accordingly such a statement has not been prepared.

Auditor's Report

The Members,
Pacific Leasing Corporation Limited.

We have examined the accompanying consolidated balance sheet of Pacific Leasing Corporation Limited and its wholly-owned subsidiary as at January 31, 1969 and the consolidated statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, except that the provision for income taxes has not been computed on the tax-allocation basis, as explained in Note 4, the aforementioned financial statements present fairly the financial position of the company and its subsidiary as at January 31, 1969 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS, BAILEY & SMART,
Chartered Accountants.

Vancouver, B.C.
March 17, 1969.

